



EXECUTIVE CHAMBERS

HONOLULU

LINDA LINGLE
GOVERNOR

February 15, 2006

The Honorable Robert Bunda, President
and Members of the Senate
Twenty-Third State Legislature
State Capitol, Room 003
Honolulu, Hawaii 96813

Dear Mr. President and Members of the Senate:

For your information and consideration, I am transmitting herewith two (2) copies of the report on the adequacy of federal funding for the No Child Left Behind Act required by Section 153 of Act 178, SLH 2005, the General Appropriations Act.

Pursuant to Act 231, SLH 2001, I am also informing you that the report may be viewed electronically at www.hawaii.gov/budget/LegReports.

Transmittal of this report does not imply endorsement of or agreement with its contents.

Sincerely,

LINDA LINGLE

Enclosures

c: Honorable Brian T. Taniguchi
Honorable Norman Sakamoto



EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

February 15, 2006

The Honorable Calvin K.Y. Say, Speaker
and Members of the House of Representatives
Twenty-Third State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear Mr. Speaker and Members of the House:

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Sincerely,

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Enclosures

c: Honorable Dwight Y. Takamine
Honorable Roy Takumi

REPORT TO THE HAWAII STATE LEGISLATURE

2006 REGULAR SESSION

**ADEQUACY OF FEDERAL FUNDING
FOR THE NO CHILD LEFT BEHIND ACT**

Pursuant to Section 153 of Act 178, SLH 2005

Department of Budget and Finance

January 2006

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I. INTRODUCTION

The No Child Left Behind Act (NCLB) was passed by the United States Congress in 2001 and signed into law by President Bush in January 2002. The Act seeks to improve academic achievement for all students and imposes certain requirements on state education agencies that focus mostly on testing and accountability systems.

A major controversy of NCLB is whether school districts across the nation will have enough federal, state, and local resources to implement it. Central to this debate is the adequacy of federal funding. Critics argue that while the new law imposes a large financial burden on states and school districts, only a fraction of the costs is covered by current federal appropriations. The view from the U.S. Department of Education is that federal funds for education have greatly increased in recent years and are deemed sufficient to support the needed reforms.¹

In Hawaii, the Department of Education (DOE) has developed a systematic plan to implement the new federal mandate. Implementation of NCLB is a costly undertaking and concern has thus been raised about the adequacy of funding for this commitment.

This report was prepared in response to a legislative proviso contained in Section 153 of Act 178, Session Laws of Hawaii 2005 (the General Appropriations Act of 2005). The proviso reads,

“SECTION 153. Provided that the department of budget and finance shall complete a comprehensive assessment each year analyzing the adequacy of federal funding for the department of education’s federal mandate of meeting and maintaining compliance with the No Child Left Behind Act of 2001; provided further that this assessment shall include, but not be limited to, identifying department of education needs, such as funding, positions (full time equivalents, temporary, and others), facilities and equipment, and statutory or constitutional amendments necessary to maintain compliance with the No Child Left Behind Act; provided further that this assessment shall discuss the nexus between each identified department need and the mandated requirement to justify current and additional resources; and provided further that this assessment shall be submitted to the legislature no later than twenty days prior to the convening of the 2006 and 2007 regular sessions.”

The objective of this report is to address the legislative intent and meet the specific requirements that are spelled out in the proviso. Background information on various pertinent issues is also included to give context to the discussion. The report covers the following topics:

- What is the No Child Left Behind law?
- How does it affect Hawaii?
- What are the costs for the DOE to comply with the federal mandate?

¹ *Title I Funds: Who’s Gaining, Who’s Losing & Why*, Center on Education Policy, June 2004, page 8.

- How much does the DOE receive in federal funds for this purpose?
- Recommendations

The report was a collaborative effort between the Department of Budget and Finance (B&F) and the DOE. We wish to acknowledge Superintendent Hamamoto's support for this project and the generous assistance of Dr. Robert Campbell of the DOE.

II. GENERAL BACKGROUND ON THE NCLB ACT

No Child Left Behind is the reauthorization of the 1965 Elementary and Secondary Education Act (ESEA), the largest federal program supporting elementary and secondary schools. While NCLB continues many traditional programs that have been a part of ESEA for many years, the 2001 legislation is a new version of the latest federal approach to educating students and supporting public schools. Among the requirements, the most important new aspects of NCLB include:

1. Focus on school accountability, which requires the following components:
 - States must develop standards for student performance.
 - States must measure student achievement.
 - States must enforce consequences for schools that do not meet expectations for student progress.
2. Establishment of a timetable for all students to reach 100% proficiency in reading and mathematics in 12 years, by 2014.
3. Attainment of high qualifications for teachers and paraprofessionals, which elevates the need for training and professional development.
4. Increase in choices for parents of disadvantaged students, which include:
 - Transfer to another public school of choice
 - Supplemental educational services at current school (e.g., tutoring)

In support of the new direction and demands, the new law offers more flexibility in the use of federal funds for schools and districts. For example, certain categorical grants may be combined, and schools may use Title I grants to improve education for all students in the school and not just for those in the lowest scoring groups.

For a summary of the main provisions of NCLB, see Appendix 1, *A New Federal Role in Education*, Center on Education Policy, September 2002.

Ten separate "chapters" are included in the NCLB Act, each with its own focus, funding, and compliance requirements:

Title I	Improving the Academic Achievement of the Disadvantaged
Title II	Preparing, Training, and Recruiting High Quality Teachers and Principals
Title III	Language Instruction for Limited English Proficient and Immigrant Students
Title IV	21 st Century Schools
Title V	Promoting Informed Parental Choice and Innovative Programs
Title VI	Flexibility and Accountability
Title VII	Indian, Native Hawaiian, and Alaska Native Education
Title VIII	Impact Aid Program
Title IX	General Provisions
Title X	Repeals, Re-designations, and Amendments to Other Statutes

For a full description of the NCLB Act and its ten titles, see *No Child Left Behind: A Desktop Reference 2002*, U.S. Department of Education, Office of the Under Secretary, Office of Elementary and Secondary Education, Washington D.C. The web site is www.ed.gov/offices/OESE/reference.

III. IMPACT OF NCLB ON HAWAII

The main focus of NCLB is on school accountability: how to measure, improve, and report on student achievements and progress in public schools. The law prescribes a detailed and specific school accountability system complete with its own timeline for expected improvements and consequences for not meeting expectations. Furthermore, this single accountability system must apply to all public schools and not just to those schools that receive Title I funds under NCLB.

For Hawaii, the specific requirements translate into the following components:²

- A single statewide accountability system based on State-defined standards in reading and mathematics.
- Annual testing in reading and mathematics for all students in grades 3 through 8 and at least once in grades 10 through 12 by the School Year (SY) 2005-06.
- Adoption of science standards by SY 2005-06 and testing in SY 2007-08.
- Annual adequate yearly progress (AYP) goals in reading and mathematics, disaggregated by student subgroups based on major racial/ethnic categories, socio-economic status, disability status, and English language proficiency.
- Attainment of 100% academic proficiency for all students by SY 2013-14.
- Support for students failing to meet proficiency standards and for schools failing to meet AYP goals.

² *Program Memoranda: Formal Education*, Department of Budget and Finance, January 2005, pages 07-30 to 07-31.

- Annual report cards for parents and the public on school performance and statewide progress.
- Evidence in closing the achievement gap for disadvantaged students.
- A highly qualified teacher in every classroom by the end of SY 2005-06.³

DOE Activities Prior to NCLB

While educational accountability is the centerpiece of NCLB, it is not a new concept for Hawaii. Since the late 1990's, the DOE has pursued "standards-based reform" (SBR) in an effort to improve performance of students and public schools. SBR involves three basic steps:

- Create student performance standards.
- Design assessment procedures to measure how well students meet those standards.
- Build accountability systems to provide consequences.

In line with this approach, Act 238/SLH 2000 mandates that the DOE design and implement an accountability system for Hawaii's public schools that would measure and report on student achievement and contain appropriate consequences for performance.

As a result of these earlier efforts, many accountability components were already put in place by the DOE prior to NCLB:

- The Hawaii Content and Performance Standards (HCPS) were completed in 1999 to delineate what students are expected to learn and set academic standards for students in nine content areas. The standards have been revised over the years and the current version, HCPS III, was adopted by the Board of Education (BOE) in 2004.
- The Hawaii State Assessment (HSA) was adopted in May 2003 to measure student achievement in reading and mathematics based on Hawaii content standards in HCPS II. The tests were administered for grades 3, 5, 8, and 10.
- The Annual Report Card project was started in 2000 to communicate with parents on how their students perform in meeting State standards.

Therefore, by the time NCLB became the new federal mandate for public education in elementary and secondary schools, Hawaii was already on its own path toward greater accountability. What NCLB did was to push the goals further, set a specific timeline for attaining improvements, increase the frequency of testing, establish stringent requirements on how the tests are conducted, and impose clear sanctions. This understanding of pre- and post-NCLB activities will be pertinent to the discussion on costs that follows.

³ In October 2005, the U.S. DOE extended the deadline to SY 2006-07 for states that are making significant progress toward this goal.

NCLB Sanctions

Title I of the NCLB Act provides formula grants to schools with a high proportion of low-income and at-risk students. For these Title I schools, there are certain consequences for not making adequate yearly progress toward meeting proficiency goals:

- After one year of not meeting AYP:

There are no sanctions but the school must improve its performance in the next school year to avoid future consequences.

- After two consecutive years of not meeting AYP:

The DOE must give parents the option of transferring their children to another school. Free transportation to the alternative school must be provided. This is referred to as the “public school choice” option. Technical assistance from the district level must also be provided to schools in need of improvement. This status is called “School Improvement Year 1.”

- After three consecutive years of not meeting AYP:

In addition to school choice, the DOE must provide supplemental educational services (e.g., tutoring and enrichment programs) for students who elect to remain at the schools in need of improvement. This status is called “School Improvement Year 2.”

- After four consecutive years of not meeting AYP:

In addition to the above sanctions, the school in need of improvement must take certain corrective actions such as replacing school staff, adopting a new curriculum, reducing the principal’s authority, appointing an outside adviser, and extending the school day or year. The school must also prepare a plan for school governance restructure to implement fundamental reforms. This status is called “Corrective Action.”

- After five consecutive years of not meeting AYP:

The DOE must take steps to restructure the “failing” school through various alternatives such as converting it to a charter school, replacing all or most of the staff, or turning over management of the school to a private company. This status is called “Planning for Restructure/Restructure.”

Under NCLB, only schools receiving Title I funding are subject to the above sanctions. However, the DOE has adopted the policy of applying the same consequences for all schools, including those that do not receive Title I funding. Because all schools are subject to the same standards and accountability system, this policy, which is based on the principle of fairness, means that additional resources beyond NCLB federal grants will be required to give support to all schools.

Table 1 displays the NCLB status of all Title I schools for SY 2004-05. A total of 112 out of 196 Title I schools (57%) were subject to some form of sanctions. Of these, 55 schools were scheduled for restructuring, the most severe and costly action. In addition, there were 27 non-Title I schools also in need of improvement. In total, 139 schools were in status for not making AYP for at least two years.

For a further description of the impact of NCLB on Hawaii's education system, see Appendix 2, *The No Child Left Behind Act: Key Provisions for Hawaii*, DOE, November 2003.

IV. RESOURCES NEEDED TO IMPLEMENT NCLB IN HAWAII

Effort by the Department of Budget and Finance

Compliance with NCLB means that the DOE must meet specific requirements in a number of general areas, each with numerous specific components. As identified by the DOE, the seven areas and their related components are:

A. Standards and Assessments

1. Reading Standards
2. Mathematics Standards
3. Science Standards
4. Annual Assessment in Reading
5. Annual Assessment in Mathematics
6. Annual Assessment in Science
7. Assessment of English Language Proficiency
8. Inclusion of Limited English Proficiency (LEP) Students
9. Inclusion of Students with Disabilities
10. Inclusion of Migrant Students
11. Disaggregation of Results

B. Accountability: Adequate Yearly Progress (AYP)

1. Single Accountability System
2. All Schools and Students Included in Accountability System
3. Continuous growth to 100% Proficiency
4. Annual Determination of AYP
5. Accountability for All Subgroups
6. Primarily Based on Academics
7. Inclusion of Graduation Rate and Additional Indicator (Retention Rate)
8. Based on Separate Math and Reading Objectives
9. 95% of Students in All Subgroups Assessed

TABLE 1 – NUMBER OF TITLE I SCHOOLS WITH STATUS
School Year 2004-05

District	Number of Schools*	No of Title I Schools	School Improvement Year 1	School Improvement Year 2	Corrective Action	Planning for Restructuring	Restructuring	No of Title I Schools w/ Status
Honolulu	63	37	11	1	2	3	3	20
Central Oahu	42	24	4	1		3	2	10
Leeward Oahu	42	31	3		2	3	8	16
Windward Oahu	33	21	5	1		4	3	13
Hawaii	54	47	11		1	7	8	27
Maui	32	22	7		1	4	5	17
Kauai	19	14	7			2		9
TOTAL	285	196	48	3	6	26	29	112

* Includes all K-12 public schools (regular, special, and charter schools)

Source: DOE

C. School Improvement

1. Timely Identification
2. Technical Assistance
3. Public School Choice
4. Rewards and Sanctions
5. School Recognition
6. School Restructuring
7. Corrective Action for Schools

D. Safe Schools

1. Criteria for Unsafe Schools
2. Transfer Policy for Students in Unsafe Schools
3. Transfer Policy for Victims of Violent Crime

E. Supplemental Services

1. Criteria for Supplemental Services
2. List of Approved Supplemental Services Providers
3. Monitoring of Providers
4. Implementation of Supplemental Services

F. Report Card

State Report Card

G. Teacher Quality

1. Highly Qualified Teachers Definition
2. Subject-Matter Competence
3. Test for New Elementary Teachers
4. Highly Qualified Teacher in Every Classroom
5. High- Quality Professional Development

To address the requirements of Section 153 for specific information regarding the costs of NCLB, a worksheet was developed to capture the needed information. Starting with the seven areas above, the worksheet was an attempt to build a budget for NCLB from the bottom up by costing out each element of the DOE's compliance plan. Table 2 shows a sample of the worksheet.

DOE's assistance was requested to fill out the worksheet and identify the resources (i.e., people and money) which the DOE has chosen to allocate to NCLB tasks. Table 2A displays information from the first half of the worksheet, providing a detailed description of the NCLB requirements and the status of DOE compliance actions. Anticipated changes to current law, if any, are also noted.

The second half of the worksheet aims at quantifying the costs associated with meeting these requirements. After some investigation, DOE staff concluded that it was not possible to obtain expenditure data in the prescribed detailed format. Since the DOE's accounting system lumps many different items into single object codes and tracks them by program ID, a clear picture of the complete costs associated with NCLB tasks could not be obtained. This approach was finally abandoned.

Therefore, due to the lack of detailed expenditure data, our attempt at linking "what needs to be done" with "who is doing it" and "for how much" was not successful, and we had to turn to other approaches. One alternative was to examine the currently available literature on NCLB costs.

TABLE 2 – REPORT ON NO CHILD LEFT BEHIND ACT
Sample Format

REPORT ON NO CHILD LEFT BEHIND (PURSUANT TO ACT 178/SLH 2005, SECTION 153)															
FY 2014-05															
SAMPLE															
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
NCLB Requirement	Detailed Description	DOE Action	Timeframe	Status as of 9/1/05	Any Changes to Current Law?*	No. of Positions		Personal Services \$	Other Current Expenses \$	Equipment \$	CIP Cost \$	FY 05 Total Operating Cost \$	Funding Source	FY 05 Amount Available \$	Comments
A. Standards and Assessment						P	T					(13)=(9)+(10)+(11)			
1. Reading Standards															
2. Mathematics Standards															
3. Science Standards															
4. Annual Assessments in Reading															
5. Annual Assessments in Mathematics															
6. Assessments in Science															
7. Assessment of English Language Proficiency															
8. Inclusion of LEP Students															
9. Inclusion of Students with Disabilities															
10. Inclusion of Migrant Students															
11. Disaggregation of Results															
B. Accountability															
1. Single Accountability System															
2. All Schools Included															
3. Continuous Growth to 100% Proficiency															
4. Annual determination of AYP															
5. Accountability for All Subgroups															
6. Primarily Based on Academics															
7. Includes Graduation Rate & Add'l Indicator															
8. Based on Separate Math & Reading Objectives															
9. 95% of Students in All Subgroups Assessed															
C. School Improvement															
D. Safe Schools															
E. Supplemental Services															
F. Report Card															
G. Teacher Quality															
* Discuss any anticipated/proposed changes in federal or Hawaii law (HRS & Constitution).															

TABLE 2A – NCLB REQUIREMENTS AND THE DOE'S COMPLIANCE ACTIONS

REPORT ON NO CHILD LEFT BEHIND (PURSUANT TO ACT 178/SLH 2005, SECTION 153)					
FY 2004-05					
(1)	(2)	(3)	(4)	(5)	(6)
NCLB Requirement	Detailed Description	DOE Action	Timeframe	Status as of 9/1/05	Any Changes to
A. Standards and Assessment					
1. Reading Standards	State has academic content standards in reading/language arts in grades 3-8 and high school.	HCPSII* (1998) in 2003 Consolidated Application and HCPSIII adopted by HEOE for SY06-07	Annual requirement. Initiated by May 2003 and ongoing	Approved May 2003 and amended 8/03, 7/04, 7/05	None But, HRS302A-201, Part II, requires the Performance Standard Review Commission (PSRC) to convene every 4 years to review standards.
2. Mathematics Standards	Academic content standards in mathematics in grades 3-8 and high school.	HCPSII* (1998) in 2003 Consolidated Application and HCPSIII adopted by HEOE for SY06-07	Annual requirement. Initiated by May 2003 and ongoing	Approved May 2003 and amended 8/03, 7/04, 7/05	None But, HRS302A-201, Part II, requires the Performance Standard Review Commission (PSRC) to convene every 4 years to review standards.
3. Science Standards	Academic content standards in science in one grade level 3-5, one grade level 6-9, and one grade level 10-12.	HCPSII* (1998) in 2003 Consolidated Application and HCPSIII adopted by HEOE for SY06-07	Annual requirement. Initiated by May 2003 and ongoing	Approved May 2003 and amended 8/03, 7/04, 7/05	None But, HRS302A-201, Part II, requires the Performance Standard Review Commission (PSRC) to convene every 4 years to review standards.
4. Annual Assessments in Reading	System of standards-based assessments in reading in grades 3-8 and high school	HCPSII State Assessment in Reading	Annual Requirement 11/02 HEOE establishes "cut scores" for 2002, established "cut scores" for HCPSIII 9/05	Approved May 2003	None. But, HSA for HCPSIII used in SY04-05. Each change in HCPS requires the development of new assessments

Source: DOE

(1)	(2)	(3)	(4)	(5)	(6)
NCLB Requirement	Detailed Description	DOE Action	Timeframe	Status as of 9/1/05	Any Changes to
5. Annual Assessments in Mathematics	System of standards-based assessments in mathematics in grades 3-8 and high school	HCPSII State Assessment in Mathematics	Annual Requirement 11/02 HBOE establishes "cut scores" for 2002, established "cut scores" for HCPSIII 9/05	Approved May 2003	None. But, HSA for HCPSIII used in SY04-05. Each change in HCPS requires the development of new assessments
6. Assessments in Science	System of standards-based assessments in science in one grade level 3-5, one grade level 6-9, and one grade level 10-12.	Statewide assessment in science based on HCPSIII developed	Field testing in SY05-06	Required for SY06-07	
7. Assessment of English Language Proficiency	Annual assessment of English proficiency for all LEP students	All students assessed using previously approved methods	Annual requirement. Initiated by May 2003 and ongoing	Met this requirement	
8. Inclusion of LEP Students	Policy to ensure 100% of LEP students in required assessments	All students included	Annual requirement. Initiated by May 2003 and ongoing	Met this requirement	
9. Inclusion of Students with Disabilities	Policy to ensure 100% of SpEd students in required assessments	All students included but still finalizing development of alternative assessment and scoring for 1% allowable exclusion	Annual requirement. Initiated by May 2003 and ongoing	95% completed by 2006	
10. Inclusion of Migrant Students	Policy to ensure 100% of Migrant students in req'd assessments	All students included	Annual requirement. Initiated by May 2003 and ongoing	Met this requirement	
11. Disaggregation of Results	Assessment results are disaggregated and reported at state, LEA and school level by subgroups	Public access at http://arch.k12.hi.us/ . Schools have ability to disaggregate as student level.	Annual requirement. Initiated by May 2003 and ongoing	Met this requirement	

Source: DOE

(1)	(2)	(3)	(4)	(5)	(6)
NCLB Requirement	Detailed Description	DOE Action	Timeframe	Status as of 9/1/05	Any Changes to
B. Accountability					
1. Single Accountability System	Single accountability system applies to ALL schools. (Title I and non-Title I)	Developed the Accountability Framework (11/03) in response to Act 238 and NCLB	By May 2003 and ongoing	Approved May 2003 and amended 8/03, 7/04, 7/05	
2. All Schools Included	All public school students, regardless of place of education, are included in the accountability system.	Developed the Accountability Framework (11/03) in response to Act 238 and NCLB	By May 2003 and ongoing	Approved May 2003 and amended 8/03, 7/04, 7/05	
3. Continuous Growth to 100% Proficiency	AYP definition based on continuous improvement to reach 100% of all students by 2013-2014	Developed the Accountability Framework (11/03) in response to Act 238 and NCLB	By May 2003 and ongoing	Approved May 2003 and amended 8/03, 7/04, 7/05	
4. Annual determination of AYP	Makes annual determination of AYP for all public schools	Developed the Accountability Framework (11/03) in response to Act 238 and NCLB	By May 2003 and ongoing	Approved May 2003 and amended 8/03, 7/04, 7/05	
5. Accountability for All Subgroups	Individual subgroups in annual accountability determinations	Developed the Accountability Framework (11/03) in response to Act 238 and NCLB	By May 2003 and ongoing	Approved May 2003 and amended 8/03, 7/04, 7/05	
6. Primarily Based on Academics	AYP based primarily on academics	Developed the Accountability Framework (11/03) in response to Act 238 and NCLB	By May 2003 and ongoing	Approved May 2003 and amended 8/03, 7/04, 7/05	
7. Includes Graduation Rate & Add'l Indicator	AYP determination includes graduation rates for high schools and an additional indicator for middle and elementary school	Developed the Accountability Framework (11/03) in response to Act 238 and NCLB	By May 2003 and ongoing	Approved May 2003 and amended 8/03, 7/04, 7/05	
8. Based on Separate Math & Reading Objectives	AYP determination is based on separate math and reading objectives (not just an aggregate score).	Developed the Accountability Framework (11/03) in response to Act 238 and NCLB	By May 2003 and ongoing	Approved May 2003 and amended 8/03, 7/04, 7/05	

Source: DOE

(1)	(2)	(3)	(4)	(5)	(6)
NCLB Requirement	Detailed Description	DOE Action	Timeframe	Status as of 9/1/05	Any Changes to
9. 95% of Students in All Subgroups Assessed	To make AYP at least 95% of all students in each subgroup must be assessed	Developed the Accountability Framework (11/03) in response to Act 238 and NCLB	By May 2003 and ongoing	Approved May 2003 and amended 8/03, 7/04, 7/05	
C. School Improvement					
1. Targeted Technical Assistance	Technical assistance responsibilities to LEAs to provide for schools identified for improvements	Developed Framework for School Improvement.	Annually	Framework for School Improvement (updated and published yearly)	
2. Timely Identification	State identifies schools for school improvement, corrective action or restructuring before the start of the school year and ensures Local Education Agencies (LEAs) notify parents in a timely fashion	Annual presentation to BOE 10 days prior to the start of school	Annually	Approved May 2003 and amended 8/03, 7/04, 7/05	
3. Public School Choice	State law allows students attending schools identified as "in need of improvement" to transfer to another public school in the district not identified for improvements	Guidelines developed and posted on web 7/02	Annually	Approved May 2003 and amended 8/03, 7/04, 7/05	
4. Rewards and Sanctions	Implemented system of rewards and sanctions for all schools based on adequate yearly progress (AYP)	Developed the Accountability Framework (11/03) in response to Act 238 and NCLB	By May 2003 and ongoing	Approved May 2003 and amended 8/03, 7/04, 7/05	
5. School Recognition	Recognition to schools that have significantly closed the achievement gap, exceeded AYP or have made the greatest gains in student performance.	School Awards Criteria include AYP Status	Annually	SY04-05.	

Source: DOE

(1)	(2)	(3)	(4)	(5)	(6)
NCLB Requirement	Detailed Description	DOE Action	Timeframe	Status as of 9/1/05	Any Changes to
6. School Restructuring	State law authorizes at least one of four alternative governance options or other "major restructuring" of school governance.	Developed Framework for School Improvement.	Annually	Framework for School Improvement (updated and published yearly)	
7. Corrective Action for LEAs	N/A as Hawaii is both SEA and LEA	N/A	N/A		
D. Safe Schools					
1. Criteria for Unsafe Schools	Criteria for identifying "persistently dangerous" schools by the beginning of 2003-04 school year.	Criteria consistent with NCLB	Jun-02	On-going	None needed
2. Transfer Policy for Students in Unsafe Schools	Established statewide policy for allowing students to transfer out of an unsafe school into another school within the district.	Instituted transfer policy	Jun-02	On-going	None needed
3. Transfer Policy for Victims of Violent Crime	Established statewide policy for students who are victims of a violent criminal offense to transfer to another public school within the district.	Instituted transfer policy	Jun-02	On-going	None needed
E. Supplemental Services					
1. Criteria for Supplemental Services	Criteria to identify effective supplemental service providers by the beginning of the 2002-03 school year	Guidelines developed and posted on web 7/02	From 2002 and ongoing based on school status	Ongoing	
2. List of Approved Supplemental Services	List of approved providers, supplied to districts by the beginning of the 2002-03 school year.			SY04-05 Providers listed on web and RFP to increase issued	

Source: DOE

(1)	(2)	(3)	(4)	(5)	(6)
NCLB Requirement	Detailed Description	DOE Action	Timeframe	Status as of 9/1/05	Any Changes to
3. Monitoring Supplemental Services Providers	Standards for monitoring quality of supplemental service providers.	Guidelines developed and posted on web 7/02	Ongoing	Ongoing	
4. Implementation of Supplemental Services	LEAs arrange for provision of supplemental services by a provider selected by parents.	Guidelines developed and posted on web 7/02	From 2002 and ongoing based on school status	Ongoing	
F. Report Card					
1. Annual State Report Card	Annual state report card that includes all required information, by the beginning of 2002-03 school year	NCLB State Report Card published for SYT02-03 and Trend Report meeting applicable HRS for Sy03-04 posted at http://arch.k12.hi.us/school/trends/default.html .	From Sy02-03 and ongoing	Ongoing	
G. Teacher Quality					
1. Highly Qualified Teachers Definition	Definition for "highly qualified teachers" that meet the requirements of No Child Left Behind by the beginning of the 2002-03 school year	DOE adopted the NCLB definition of "highly qualified" in May 2003.	ongoing	Definition meet	
2. Subject Matter Competence	State developed system in which elementary and middle and secondary teachers must demonstrate subject-matter competence.	Developed the HOUSSE assessment for teachers to demonstrate competencies SY03-04	ongoing	Definiton meet	
3. Test for New Elementary Teachers	Test for new elementary school teachers in order to demonstrate they meet highly qualified requirements.	PFAXIS used to test new teachers prior to NCLB	ongoing	Definiton meet	

Source: DOE

(1)	(2)	(3)	(4)	(5)	(6)
NCLB Requirement	Detailed Description	DOE Action	Timeframe	Status as of 9/1/05	Any Changes to
4. Highly Qualified Teacher in Every Classroom	Annual measurable objective for LEAs to meet the goal for "high qualified teachers" in every classroom.	Set targets consistent with NCLB May 2003	ongoing	Definiton meet	
5. High-Quality Professional Development	Annual measurable objective for increasing the percentage of teachers receiving high-quality professional development.	Set targets consistent with NCLB May 2003	ongoing	Definiton meet	
* Discuss any anticipated/proposed changes in federal or Hawaii law (HRS & Constitution).					

Source: DOE

Other Studies on NCLB Costs

There are two consultant studies commissioned recently by the DOE to estimate the costs associated with NCLB implementation in Hawaii.

1. *Estimating the New, Marginal Costs of No Child Left Behind in Hawaii*, July 2004, by Augenblick, Palaich and Associates, Inc. ("Marginal Costs Study")

Augenblick, Palaich and Associates, Inc. (APA), a Denver-based consulting firm specializing in school finance and governance, was contracted to study the costs that Hawaii might incur to implement NCLB⁴. The contract was administered through the Hawaii Education Policy Center at the University of Hawaii at a cost of \$55,000.

Summary of Study

All citations in this part are taken from the APA Marginal Costs Study. The complete report is included as Appendix 3.

The study identifies several different levels of NCLB costs, each progressively more comprehensive and complex than the previous level:⁵

1. Implementation of that portion of NCLB that focuses on accountability.
2. Implementation of NCLB's accountability requirements plus any new ESEA requirements (such as those related to educator qualifications).
3. Implementation of NCLB's accountability requirements plus any new ESEA requirements and the administration of all aspects of NCLB.
4. Fulfillment of all explicit requirements of NCLB (level 3) and the provision of the support needed so that all students meet federal student performance expectations.
5. Fulfillment of level 4 requirements and state standards.

Due to limitations on time and money (i.e., the contract amount), the study chose to focus on the second level specified above. In the authors' own words,

“The focus of APA's analysis is on implementing the new aspects of NCLB, excluding both the administration of the traditional ESEA programs (such as Title I) and the actions that might be taken to avoid the consequences of not meeting student performance expectations.”⁶

⁴ This study was conducted in response to a legislative proviso contained in Act 200/SLH 2003, Section 43, requiring the DOE to identify and report on the costs for compliance with NCLB.

⁵ *Marginal Cost Study*, page 3.

⁶ *Marginal Cost Study*, page ii.

In short, with a limited scope, the APA study was designed to capture only the new, marginal (additional) costs of NCLB, above and beyond those expenditures the DOE would have incurred in implementing its own accountability system. These additional costs exist because NCLB was enacted. The study explicitly stated that without NCLB, “there would have been costs associated with implementing Hawaii’s education accountability system and costs associated with continuing to fulfill ESEA programs” anyway.⁷ These pre-NCLB costs were not considered.

Another point that must be clarified is that the APA study is not meant to be a comprehensive adequacy funding report. An adequacy study would have to address the costs of DOE actions taken to improve student achievements so that all students could meet performance standards by specific deadlines of NCLB.

Methodology

The APA’s approach to cost estimation is activity-based and involves the following steps:

- Specify tasks in implementing the new aspects of NCLB.
- Identify resources needed to complete the tasks.
- Cost out the identified resources.

The APA model is built upon activities that the DOE staff believes to be necessary in implementing the new aspects of NCLB as reflected in Hawaii’s federally-approved Consolidated Plan and Accountability Workbook. To facilitate data collection, a set of templates was created to require the DOE to estimate staff time, materials, contracts, and other cost factors associated with the new NCLB activities.⁸ By design, cost information was separated into two categories:

- Developmental costs are those one-time costs not likely to be incurred again; and
- Ongoing costs are annual expenditures needed to update or manage a task at a particular time.

Another differentiation is whether these costs are incurred at the complex area level or at the state level.

Cost Estimates

Costs were developed for School Year 2003-04 and projected for four additional years. Key provisions of NCLB that were thought to be cost drivers are organized into seven components that are explained below.

⁷ *Marginal Cost Study*, pages 3-4.

⁸ The approach and basic steps are not materially different from the procedure set up in the Budget and Finance’s worksheet, as discussed in the previous section. Therefore, the study’s results may serve as reasonable proxies for B&F’s attempt at capturing NCLB cost data.

1. Standards and Assessments. This component includes costs related to the creation of:
a) standards for reading, math, and science; and b) assessments (tests) for these subjects.
2. Accountability. This component includes all costs associated with making the annual determination of AYP for every school and creating the school report cards.
3. High Quality Educators. This component includes costs related to implementing the DOE's plan for ensuring high qualification in teachers and paraprofessionals.
4. Supplemental Education Services. This component includes costs related to the school choice option or the provision of tutoring and other services at a school failing to meet AYP in two successive years.
5. Safe Schools. This component includes costs associated with establishing a statewide "unsafe schools" policy and identifying persistently dangerous schools and criminal offenses. The school choice option must also be provided in such cases.
6. NCLB Data Management. In this category, costs include data storing capacities and technology infrastructure necessary for implementing the various data analyses, monitoring, and reporting requirements of NCLB.
7. Technical Assistance. This component includes the provision of technical assistance to schools in need of improvement, professional development for teachers and administrators, and other activities related to the whole NCLB sanction system.

Findings

The results of the APA study on the additional costs of the new NCLB requirements are summarized in Table 3, Estimated Costs Associated with the Implementation of NCLB. The main findings are:

1. Development costs were \$24.6 million and incurred only at state level. Major expenses were made for the data management component (\$14.6 million) and for programs supporting schools in need of improvement (\$8.9 million). These numbers do not include costs associated with adjustments to the science assessments (tests) which were not available at the time of the study.⁹
2. On-going costs amounted to \$31.5 million in 2003-04 and are expected to rise to almost \$50 million annually by 2007-08. Aside from data management (\$4 million) and test creation and administration (\$5 million), the bulk of annual expenses is related to programs and services providing support to students and schools in need of improvement.

⁹ These costs amount to an additional \$2.3 million in a multi-year contract with an outside vendor.

TABLE 3 – ESTIMATED COSTS ASSOCIATED WITH THE IMPLEMENTATION OF NCLB

Components	One-time Development Cost	On-going Cost for 2003-04	On-going Cost for 2004-05	On-going Cost for 2005-06	On-going Cost for 2006-07	On-going Cost for 2007-08
1. Standards and Assessment						
State Level	237,000	5,626,000	4,662,800	4,662,800	4,662,800	1,384,700
Complex Area Level						
2. Accountability						
State Level	119,200	559,700	559,700	559,700	559,700	559,700
Complex Area Level		1,344,900	1,344,900	1,344,900	1,344,900	1,344,900
3. High Quality Educators						
State Level	579,000	1,309,800	1,299,800	1,222,300	1,139,800	1,139,800
Complex Area Level						
4. Supplemental Education Services						
State Level	137,000	162,300	162,300	162,300	162,300	162,300
Complex Area Level		2,563,800	2,511,900	5,699,800	7,448,700	8,124,700
5. Safe and Drug-free Schools						
State Level	Program was already in place. No additional costs were anticipated.					
Complex Area Level						
6. Data Management Projects						
State Level	14,597,400	3,984,200	3,984,200	3,984,200	3,984,200	3,984,200
Complex Area Level						
7. Title Programs/Technical Assistance						
State Level	8,938,400	9,018,300	9,146,800	9,152,900	8,865,800	8,921,600
Complex Area Level		6,954,900	6,296,100	9,502,900	17,625,600	22,004,400
Sub-Total, State Level	24,608,000	20,660,300	19,815,600	19,744,200	19,374,600	16,152,300
Sub-Total, Complex Area Level		10,863,600	10,152,900	16,547,600	26,519,200	31,474,000
TOTAL COSTS	24,608,000	31,523,900	29,968,500	36,291,800	45,893,800	47,626,300

Source: APA, Estimating the New, Marginal Costs of No Child Left Behind in Hawaii, July 2004, Tables A-1 and A-2 (Appendix A), pages 33-41.

3. Due to the stringent standard of 100% proficiency for all students, almost every school is expected to be a status school by 2007-08 and the sanctions become more and more serious. As schools move from “needing improvement” to “restructured,” the cost rises accordingly: from about \$6,000 per school for “in need of improvement-year 1” to \$29,400 per school for “in need of improvement – year 2” to almost \$94,000 per school in “preparing for restructuring.”¹⁰

The study stresses that there are two questions it does not address:

- What amount of resources is needed to ensure that each student will meet AYP and state accountability requirements?
- Does the State have the revenue needed to reach this goal?

The first question is the topic of another DOE study that followed in 2004.

2. State of Hawaii Department of Education Adequacy Funding Study, March 14, 2005, Grant Thornton, LLP, (“Adequacy Study”)

In 2004, the DOE contracted with Grant Thornton, LLP for a two-part project to include a Funding Adequacy Study and development of Key Performance Indicator for Performance-Based Budgeting. The total cost of the contract was \$518,226 for both items. According to the DOE, the cost for the Adequacy Study portion can be assumed to account for half of the contract, or \$250,000.

Summary of Study

All citations in this part are taken from the Adequacy Study. The complete report is included as Appendix 4.

The objective of the Adequacy Study is to determine the level of funding required to support the vision and goals of the public school system in Hawaii, as articulated through various policy statements of the BOE and DOE. To deliver an adequate education for Hawaii’s students, the DOE has identified four key goals:

- Provide a standard-based education for every child.
- Sustain comprehensive support for all students.
- Deliver coordinated, systematic support for staff and schools.
- Achieve and sustain continuous improvement of student performance, professional, school, and system quality.

The study is designed to show how schools can be best organized and conducted to achieve the DOE’s stated goals.

¹⁰ *Marginal Cost Study*, page 30.

Methodology

The process for determining adequacy goes through several steps:

- Identify the goals that DOE is seeking to achieve.
- Develop the “Baseline School” models for a representative elementary school, a representative middle school, and a representative high school in Hawaii. The DOE budget for SY 2003-04 was distributed across the entire system to obtain averages for each school level. The three model schools demonstrate the capacities of the current schools in providing educational services to Hawaii students.
- Construct the “Adequate School” models at three distinct levels: elementary, middle, and high school. These adequate school models are similar to the baseline models, except that they have “interventions” designed to improve the schools’ effectiveness in helping students meet the stated Hawaii and federal goals regarding public education.
- Calculate the costs of “Adequacy Interventions.” Adequacy interventions are the specific changes to a school that would most likely enable the school to improve student achievement and meet the goals established by the DOE.¹¹ The study identifies intervention approaches that are selected because they are based on proven research, have sound theoretical foundation, and are judged to be cost-effective. For Hawaii, intervention actions center mainly on providing additional specialist teachers and professional development opportunities for teachers and staff.

Cost Estimates

Table 4 summarizes the costs for operating the Baseline School system compared to those required by the Adequate School system.

Findings

The main findings of the Adequacy Study are:

1. A total of \$277.5 million is needed to upgrade Hawaii’s public schools (grades K to 12) to meet the goals established by the BOE/DOE. This represents an increase of 16.6% over the DOE’s budget for SY 2003-04 to fund a series of adequacy interventions.

¹¹ See Appendix 4, *Adequate Study*, pages 7-28, for a discussion of: a) the 14-point education adequacy goals of the DOE; b) adequacy interventions for elementary school, middle school, and high school; and c) rationale for adequacy interventions and their potential effects on student learning.

TABLE 4 – COMPARISON BETWEEN ADEQUATE AND BASELINE FUNDING LEVELS
School Year 2003-04

	Number of Students	Baseline	Adequate	Budget Difference	% Difference	Difference Per Student
Elementary Schools	88,482	783,659,538	942,540,036	158,880,498	20.3%	1,796
Middle Schools	30,752	246,921,728	282,088,419	35,166,691	14.2%	1,144
High Schools	47,259	400,869,372	459,698,418	58,829,046	14.7%	1,245
Sub-Total Regular Schools	166,493	1,431,450,638	1,684,326,873	252,876,235	17.7%	1,519
Combined and Charter Schools	15,841	139,466,275	164,129,427	24,663,152	17.7%	1,557
Debt Service		98,933,822	98,933,822			
TOTAL COSTS	182,334	1,669,850,735	1,947,390,122	277,539,387	16.6%	1,522
Per-Student Costs		9,158	10,680	1,522	16.6%	
Per-Student Costs (excluding debt service)		8,616	10,138	1,522	17.7%	

Source: Grant Thornton, DOE Adequacy Funding Study, March 14, 2005, page 4.

2. Adequacy interventions are concentrated more intensively at the elementary school level because research shows that investment at this level proves to be most effective. The amounts needed at each level (including system-level expenses) are:

	<u>Additional Costs</u>	<u>% Increase</u>	<u>Increase Per-Student</u>
• Elementary schools	\$ 159 million	20%	\$ 1,796
• Middle schools	35	14	1,144
• High schools	59	15	1,245
• Charter schools	25	18	1,557
All Schools	\$ 278 million	17%	\$ 1,522

3. The major adequacy interventions include:

- Additional specialist teachers
- Summer school and tutoring services
- School-based instructional improvement
- School-based professional development
- Teacher leadership program
- Additional staffing for special education
- Technology programs
- Counseling
- Small learning communities
- Writing program
- Internship program
- Data management system

Taken together, these adequacy interventions should increase the capacity of the schools to improve student achievement and move toward the goals of providing an adequate education to all students.

The model presented by the study seeks to demonstrate that certain goals can be obtained if particular educational programs are implemented **and if** schools operate efficiently and effectively with the resources provided. The study emphasizes the need to know how well public schools are functioning because “the efficiency of operation directly affects the amount of money needed to achieve stated goals.”¹²

Conclusions

While the two consultant studies approach the concept of NCLB costs from different angles and derive cost estimates from different models, the results are viewed by the DOE as complementary.

¹² *Adequacy Study*, page 40.

The Marginal Cost Study looks at where Hawaii was going in terms of educational policy and actions when NCLB came into the picture and seeks to calculate the costs imposed by the new federal law. It concludes that annual on-going expenses incurred by the new NCLB requirements are estimated to be \$31 million in SY 2003-04 and rising to \$50 million by SY 2007-08. The study is specific to the NCLB components that are considered to be new requirements that must be met by the DOE.

The Adequacy Funding Study takes a more comprehensive approach. It considers the vision and goals of Hawaii's public education system, as articulated by the BOE and the DOE, in which NCLB plays a major part. It concludes that the State would have to add \$278 million more per year to the current budget for the DOE (based on SY 2003-04) to build an educational system that is capable of delivering an adequate education to Hawaii public school students.

Both studies were conducted by national consultants with expertise in education and at considerable costs to the DOE. The next appropriate step would be for the DOE to validate the consultants' approaches, methodologies, and resultant cost figures. Only then can the numbers serve as meaningful guidelines in discussing the DOE's budgetary needs.

V. FEDERAL FUNDING FOR NCLB

NCLB Grants

Table 5 displays the funding levels received by the DOE in the past four fiscal years in association with the NCLB Act. The total amounts are as following:

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>
Total NCLB funds	\$32.9 m	\$67.3 m	\$75.9 m	\$83.6 m
\$ Increase		\$34.4 m	\$ 8.6 m	\$ 7.8 m
% Increase		104.4%	12.8%	10.2%

Of these amounts, formula grants under Titles I and II are the major funding sources and account for about 80% of the total in recent years.

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>
Title I funds	\$28.9 m	\$40.0 m	\$42.4 m	\$50.1 m
\$ Increase		\$11.0 m	\$ 2.5 m	\$ 7.6 m
% Increase		38.1%	6.2%	18.0%
Title II funds	\$ 2.1 m	\$16.1 m	\$17.3 m	\$18.1 m
\$ Increase		\$14.1 m	\$ 1.2 m	\$ 0.8 m
% Increase		686.7%	7.3%	4.8%

TABLE 5 – FEDERAL FUNDING UNDER NO CHILD LEFT BEHIND ACT

NCLB Title	Part	Short Title	Type of Funding	FY02	FY03	FY04	FY05
Title I		Improving the Academic Achievement of the Disadvantaged		28,946,731	39,970,550	42,449,315	50,096,726
	A	Improving Basic Programs	Formula	25,773,214	33,671,612	36,094,503	43,294,081
	B-1	Reading First	Formula		2,759,438	3,016,380	3,234,918
	B-3	Even Start	Formula	1,112,500	1,127,500	1,120,106	1,113,439
		Even Start Initiative	Discretionary		70,000		
		Even Start Migrant Education	Discretionary	289,068	297,219	318,315	499,654
	C-1	Migratory Children	Formula	825,031	758,924	745,036	763,481
		Consortium Incentive Grant	Formula	88,461	59,606		
	D-1	Prevention and Intervention for Neglected, At-Risk	Formula	104,814	224,974	135,395	224,974
	E-1	National Assessment of Title I, Evaluation and Demo					
	F-1	Comprehensive School Reform	Formula	753,693	1,001,277	1,018,380	966,179
Title II		Preparing, Training, Recruiting High Quality Teachers and Principals		2,051,050	16,135,218	17,316,403	18,144,953
	A	Teacher and Principal Recruiting Fund	Formula	2,051,050	13,213,985	13,602,215	13,598,858
	B	Mathematics and Science Partnerships	Formula			499,218	741,850
	C-1	Troops to Teachers	Formula				499,937
	D-1&2	Enhancing Education Through Technology	Formula		2,921,233	3,214,970	3,304,308
Title III		Language Instruction for Limited English Proficient (LEP) and Immigrant Students	Formula		1,598,416	1,848,233	2,186,577
Title IV		21st Century Schools			3,618,998	4,856,016	6,617,548
	A	Safe and Drug-Free Schools & Communities	Formula		1,846,292	1,834,044	1,722,103
		Community Service for Expelled/Suspended	Formula		250,000	248,375	
	B	21st Century Community Learning Centers	Formula		1,522,706	2,773,597	4,895,445

Source: DOE

NC.B Title	Part	Short Title	Type of Funding	FY02	FY03	FY04	FY05
Title V		Promoting Informed Parental Choice and Innovative Programs		1,911,525	1,985,575	4,899,200	2,322,463
	A	Innovative Programs	Formula	1,911,525	1,909,075	1,899,100	1,472,363
	B-1	Public Charter Schools	Discretionary			100	100
	D-4	Smaller Learning Communities	Discretionary		76,500	3,000,000	850,000
Title VI		Flexibility and Accountability			3,962,165	4,086,335	4,054,958
	A-1	Improving Academic Assessment	Formula		3,348,787	3,888,745	3,902,682
	C	National Assessment of Education Progress	Discretionary		113,378	197,590	152,276
Title VII		Indian, Native Hawaiian, Alaska Education					
	B	Native Hawaiian Education	Discretionary			248,020	
Title VIII		Impact Aid (see note below)	Formula				
Title IX		General Provisions					
Title X		Repeals, Amendments					
	C	Education of Homeless	Formula			173,311	213,557
		TOTAL		32,909,356	67,270,922	75,877,433	83,636,782
Title VIII		Impact Aid		37.9	40.5	43.8	48.5
		Note: The Impact Aid program provides financial support to school districts affected by federal activities, including the education of children of members of the uniformed services. Funds are considered as reimbursements for general operating expenses of schools and are not considered to be NCLB grants.					

Source: DOE

Title I, Part A, provides formula grants to school districts which then allocate these funds to individual Title I schools based on the number of poor children in each school. A school can receive Title I funds if 35% of its students qualify for the free or reduced-cost school lunch program. This determination is normally made after the school year has begun, at the end of September, and thus can be a source of funding uncertainty for schools that are on the border line of meeting the 35% requirement.

As federal assistance is intended to help disadvantaged students obtain a high-quality education and meet proficiency standards set by the State, Title I targets financial resources to the districts and schools with the highest needs. Funds may be used to provide additional teachers, professional development, after-school programs, and other strategies for raising student achievement in high-poverty schools. A school receiving Title I funds must follow federal requirements set out in the NCLB Act, as discussed in the earlier parts of this report.

Title II, Part A, focuses on the development, training, and recruiting of high-quality educators. States must apply to the U.S. Department of Education for funding, and funds are allocated through a formula based on the school-age population and the number of children in poverty in each state. Funds may be used for a wide variety of actions and programs centering on professional development.

Aside from Titles I and II funds and other formula grants, the State also receives a limited number of discretionary grants each year.

Expenditures of NCLB Grants

Table 6 shows the amounts of federal NCLB grants expended in the past three fiscal years. The numbers indicate a pattern of spending that averages to about 50% of funds available in each year. And the lag between funds available and funds expended seems to be growing. As a result, there is a sizeable carry-over balance at the end of each year prior to lapses (\$42 million in FY 03, \$50 million in FY 04, and \$60.6 million in FY 05). Two reasons were given by the DOE for this condition:

1. Schools are often unsure of the amounts of federal funds available to them. Certification for Title I funds depends on the number of students from low-income families. Since this determination is not made until after the school year has begun, schools that experience fluctuation in their enrollment numbers must be conservative in their annual academic and financial plans. They tend to hold back on spending commitments (especially in hiring decisions) and save these federal funds for contingency purposes instead.
2. The federal fiscal year begins on October 1, three months after the start of the State fiscal year. This difference also contributes to the lag in spending federal funds.

While there are mitigating circumstances for the DOE's pattern of lagging expenditures in NCLB grants, the unspent balances are large. With certain effort, these available funds may be put to use faster to bring improvements to schools more quickly.

TABLE 6 – EXPENDITURES OF NCLB GRANTS

Fund/Appr	Project	Grant Description	FY02-03			FY03-04			FY04-05		
			Expenditures and		Rate of	Expenditures and		Rate of	Expenditures and		Rate of
			Funds Available*	Encumbrances	Expend.	Funds Available*	Encumbrances	Expend.	Funds Available*	Encumbrances	Expend.
S-210	020000	Title I LEA Basic/Concentration	42,140,722	26,829,143	63.7%	50,860,758	32,978,990	64.8%	59,745,533	39,108,146	65.5%
S-210	040000	Title I Neglected & Delinquent	197,492	46,905	23.8%	275,560	100,833	36.6%	386,343	218,804	56.6%
S-210	020040	Title I Accountability	775,721	616,285	79.4%	162,136	155,695	96.0%			
S-210	020020	Title I School Improvement	811,285	38,301	4.7%	1,494,374	1,471,336	98.4%	1,755,329	146,522	8.3%
S-210	550200	Migrant Education	1,966,924	1,033,192	52.5%	1,691,284	916,619	54.2%	1,550,324	990,520	63.9%
S-210	650019	Comprehensive Sch Refm Deom Prog	1,406,657	1,114,627	79.2%	1,319,301	799,297	60.6%	1,489,215	281,985	18.9%
S-210	280000	Drug-Free Schools and Cmunities	2,612,368	1,877,410	71.9%	2,620,200	1,586,008	60.5%	2,757,619	1,550,186	56.2%
S-210	510000	Even Start Program	1,632,657	1,210,998	74.2%	1,553,599	1,174,857	75.6%	1,509,613	1,153,027	76.4%
S-254	650043	Title V Innovative Education	1,911,525	264,561	13.8%	3,564,748	1,470,747	41.3%	3,600,365	1,381,246	38.4%
S-256	650045	State Grants	13,213,985	1,320,528	10.0%	25,561,309	10,099,997	39.5%	29,246,208	12,166,255	41.6%
S-271	280002	SDFSC Community Service	250,000	513	0.2%	497,766	143,384	28.8%	357,588	265,564	74.3%
S-253	650042	21st CCLC-After Sch Learning Centers	1,522,706	875,280	57.5%	3,545,394	1,581,079	44.6%	6,861,831	2,049,732	29.9%
S-258	650048	ESLL Acquisition	1,598,416	789,929	49.4%	2,668,745	877,019	32.9%	3,968,744	744,553	18.8%
S-210	650047	State Assess & Related Act	3,848,787	70,746	1.8%	7,666,786	6,847,434	89.3%	4,722,409	3,510,639	74.3%
S-210	650051	Reading First	2,759,483	6,563	0.2%	5,860,359	2,300,605	39.3%	6,811,159	5,456,867	80.1%
S-212	650055	Math & Science Partnership	2,422,594	964,086	39.8%	499,218	120,322	24.1%	1,127,642	286,439	25.4%
S-210	650111-1'2	Ed Tech				3,214,370	94,587	2.9%	6,424,751	2,426,628	37.8%
Total			79,071,322	37,059,067	46.9%	113,058,307	62,718,809	55.5%	132,314,793	71,737,113	54.2%
Ending Balance Prior to Lapses				42,012,255			50,339,998			60,577,680	

* "Funds Available" include carry-over balance and new grant amounts.

Source: Data on "fundsavailable" and "expenditures & encumbrances" are from the DOE.

Adequacy of Federal Funding for NCLB

Attempts have been made to determine the costs of implementing NCLB in several states. In 2003, the State of Ohio commissioned external consultants to estimate the added costs of bringing all students to proficiency levels (beyond the state's existing goal of at least 75% of students). The consultants estimated the additional costs of NCLB implementation, minus the projected increases in federal dollars, to be about \$1.5 billion annually.

In 2004, the Office of the Legislative Auditor in Minnesota reported that it would cost the state and its school districts \$39 million per year to administer the new tests and offer school choice and tutoring services to students in low-performing schools, plus unknown amounts as schools "graduate" to stricter sanctions. It was concluded that these estimated costs are beyond any increases the state can expect from NCLB funding.¹³

On August 22, 2005, the State of Connecticut filed a law suit against the federal government on the ground that NCLB amounts to an unfunded mandate because the federal law forces the state to spend millions on new requirements without providing sufficient funding for them.¹⁴

A report by the Center on Education Policy in June 2004 ("*Title I Funds: Who's Gaining, Who's Losing & Why*") concludes that "despite recent increases in Title I appropriations, the NCLB Act is far from being fully funded"¹⁵ (underline added). The article points out that while the additional funds are channeled to the neediest schools, the new law demands more of all schools:

"Before NCLB, federal dollars were targeted mostly on special groups of children, and federal requirements dealt with special services for those children. With NCLB, federal dollars continue to be targeted mostly on special groups of children, but federal requirements now affect the education of all children."¹⁶

For Hawaii, the available numbers seem to tell a similar story. The two consultant studies for the DOE produce the following results:

1. In addition to developmental costs of \$25 million, on-going expenses incurred by the simplest implementation of NCLB requirements are estimated to be about \$30 million annually and rising to about \$50 million annually by SY 2007-08.
2. The annual DOE budget would have to increase by \$278 million per year (or 16.6%) for the DOE to meet federal and State standards in delivering an adequate education for Hawaii's public school students.

¹³ *Title I Funds: Who's Gaining, Who's Losing & Why*, Center on Education Policy, June 2004, page 10.

¹⁴ *Connecticut Takes U.S. to Court Over Bush Education Initiative*, The New York Times, August 22, 2005.

¹⁵ *Title I Funds: Who's Gaining, Who's Losing & Why*, Center on Education Policy, June 2004, page 1.

¹⁶ *Title I Funds: Who's Gaining, Who's Losing & Why*, Center on Education Policy, June 2004, page 2.

Against these staggering estimates, the annual increases in federal NCLB funds to Hawaii (in the magnitude of \$34 million, \$9 million, and \$8 million in the past three fiscal years) are seen as inadequate. Therefore, in the view of the DOE, the NCLB Act is a partially funded mandate from the federal government.

VI. CONCLUSION AND RECOMMENDATION

1. Estimating the costs of NCLB implementation proves to be a complicated and complex matter. As developed by the consultants, the factors that influence costs (cost drivers) are premised on a set of assumptions about educational strategies and organizations. The DOE needs to evaluate and validate the consultants' results before these cost estimates can be accepted and used as guidelines for developing the DOE's budget.
2. Federal funding from the NCLB Act currently stands at over \$80 million per year. Added to this amount is a prior year's balance of \$60 million to give the DOE a substantial level of available funds to implement the more immediate needs from NCLB. The DOE could adopt measures to spend the federal funds more quickly.
3. The DOE could consider the option of shifting existing resources internally to allocate more funds and personnel toward activities required by the new law.
4. The DOE could undertake a critical review of its internal structure and programs to achieve greater operational efficiency. At a higher level of efficiency, a number of additional services required by the new NCLB law may be accommodated without an immediate influx of money.
5. Some of the goals and expectations of NCLB have been criticized as being unrealistic and unworkable by educational professionals. In particular, the requirement that all students must improve to meet 100% of reading and math standards is seen as unattainable, especially for students with learning disabilities or limited language skills. As such, some changes in the federal law may be expected to give state and local school authorities greater flexibility in implementing NCLB.¹⁷

¹⁷ *Bush Administration Grants Leeway on 'No Child' Rules*, The Washington Post, November 22, 2005.